



The President's Daily Brief

26 January 1972



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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

There is talk in Japanese business circles that the yen may be revalued again this spring in view of Japan's continuing strong trade position. (Page 1)

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JAPAN

Many Japanese business leaders and economists believe that the yen remains an undervalued currency. According to several top businessmen, a currency reform in May will involve a three-percent revaluation and replace 100 old yen with one new yen. The yen-dollar ratio would then be three to one.

These predictions arise from Japan's continuing strong trade position. Last year Japan had the largest trade surplus of any country in the last 25 years, \$7.9 billion, including a \$3.5-billion surplus with the US. Japanese forecasters unanimously predict another huge surplus for 1972, with most estimates pointing to a \$7-billion figure.

We believe that the Sato government would be loath to revalue unilaterally, even in the small amount being rumored. It has already been chastised for going too far recently and the recession is now being felt. However, if a large trade surplus continues in the first quarter, when Japan's balance usually shows a seasonal decline, speculative pressure for revaluation would likely increase.

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CHILE

President Allende is having trouble putting together a new cabinet. Some coalition party leaders appear to be resisting his demand that he have a free hand in determining the government's course. There is also objection to his intention to bring technicians into the cabinet and to broaden its political base. [REDACTED]

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Allende has offered a cabinet post to Radomiro Tomic, his 1970 election opponent who retains some influence among leftist Christian Democrats.

An offer to Tomic would accord with earlier reports that Allende is trying to split off Christian Democratic factions and induce them to join his cabinet.

Allende's acceptance of Defense Minister Toha's resignation, following Senate approval Saturday of Toha's impeachment as interior minister, may reflect nudgings from the military chiefs. The remainder of the cabinet has stayed on in caretaker status since its resignation on 20 January.

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NOTE

Yugoslavia: President Tito's party conference speech yesterday sought to play down the nationalist unrest that has been troubling the country in recent months and to renew public confidence by emphasizing Yugoslavia's "enormous" achievements. He did, however, criticize the party for not fulfilling the tasks set forth by the last party congress. Tito repeated his earlier calls for a party reorganization aimed at creating a compact, tightly controlled, and disciplined cadre. The fact that it required an eleventh-hour presidium session on Monday to iron out specific proposals on party reform indicates that resistance from those who want to preserve a decentralized system remains strong.

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